TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 1177 - HB 1533

March 28, 2011

SUMMARY OF BILL: Creates the Sustainable Jobs Fund (SJF) to be administered by the Department of the Treasury for the purpose of receiving federal funds, federal transfers, appropriations, distributions, gifts, grants, and donations, which such monies shall be used for developing a sustainable jobs program with a focus on green-energy jobs in urban and rural communities with poverty rates exceeding 15 percent as designated by the U.S. Department of Labor. Requires the Department of Economic and Community Development (ECD) to develop the sustainable jobs program. Specifies requirements and initiatives for the sustainable jobs program. Prohibits the use of General Fund monies for developing the program. Prohibits ECD from hiring additional positions to implement the program until monies in the SJF are sufficient for paying the costs associated with any new positions. Requires ECD to report annually to the Governor and the General Assembly concerning the program. Specifies information to be included in the annual report. Creates a sales and use tax credit equal to 100 percent of sales and use tax paid with respect to any solar energy system that complies with the definition codified in the Solar Access Law of 1977 (SAL).

ESTIMATED FISCAL IMPACT:

Increase State Revenue – Exceeds $500,000/Sustainable Jobs Fund
Decrease State Revenue – Net Impact - $5,362,900/General Fund

Increase State Expenditures – Exceeds $500,000/Sustainable Jobs Fund

Decrease Local Revenue - $2,265,600

Assumptions:

- The sales and use tax credit proposed in this legislation is assumed to be a sales and use tax exemption on the retail sale of solar energy systems as defined by SAL given that such proposed language would be codified in Title 67, Chapter 6, Part 3, which is the part of Tennessee Code Annotated that identifies various sales and use tax exemptions.
- The Department of Revenue (DOR) estimates taxable sales of solar energy systems as defined by SAL to be approximately $80,300,000 in FY11-12.
- A state sales tax rate of 7.0 percent and a local option sales tax rate of 2.5 percent.
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.5925 percent of all state sales tax revenue as state-shared sales tax revenue.

- The net decrease in state revenue will be $5,362,856 [($80,300,000 x 7.0) – ($80,300,000 x 7.0% x 4.5925%)].
- The decrease in local government revenue will be $2,265,644 [($80,300,000 x 2.5%) + ($80,300,000 x 7.0% x 4.5925%)].
- No sustainable jobs program will be developed until monies in the SJF are sufficient for implementing the proposed program.
- Use of General Fund monies is prohibited for the sustainable jobs program.
- The fiscal impact resulting from the creation of a sustainable jobs program is dependent upon several unknown factors including, but not limited to, the extent of federal funding secured for the program, the extent of any donations, contributions, grants, or gifts made to the SJB, the extent of communities with poverty rates exceeding 15 percent as designated by the U.S. Department of Labor, and the extent of resources that will be required by ECD to implement and sustain the program.
- Given the extent of unknown factors, determining a precise fiscal estimate related to the proposed sustainable jobs program is difficult. However, to develop an adequate program for the purposes specified in this bill, an unknown amount of recurring funding reasonably estimated to exceed $500,000 will be required from various non-state sources.
- Funds from various non-state sources are contributed to the SJF in sums sufficient to expend an amount exceeding $500,000 per year for the sustainable jobs program.
- There may be secondary economic impacts resulting from this legislation. However, these secondary impacts are dependent upon multiple unknown and offsetting factors. As a result, any such secondary impact cannot be reasonably quantified for the purpose of this fiscal note.
- Any increase in state expenditures as a result of the reporting requirements will be not significant and can be accommodated within existing resources without an increased appropriation or a reduced reversion.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

James W. White, Executive Director

/rnc